

Arizona Department of Health Services Legislative Budget Recommendations Impacts

The proposed legislative budget falls short of meeting the public health needs of the State of Arizona, and would eliminate proposed additional child care surveyors, thereby undermining Governor Napolitano's pledge to focus on Arizona's children. The legislative budget also fails to cover a 2.55 percent increase in retirement costs for state employees, many of whom are already underpaid. Finally, by not funding the Governor's proposal, the legislative budget also would significantly hamper our ability to manage the agency's funds and make greater strides in improving services. We have listed the following highlights.

Public Health Services Impact FY 2006 Budget

- **\$879,000 Children's Rehabilitative Services (CRS) – State Only**

Impact: Without the \$879,000 included in the Governor's recommendation, the impact will be significant.

- Children will experience a critical decrease in the quality of their lives, and may miss an opportunity to receive specialty treatment that may affect their ability to function in their adult years.
- Many CRS conditions left untreated will result in a child needing health care services at a more costly emergency basis setting. CRS inpatient hospital costs provided on an emergency basis have often exceeded \$100,000 for an individual member. (Without access to preventative non-emergency care, approximately 60 percent of the 4,500 children currently enrolled in this program will be forced to receive treatment on an emergency basis.)
- The cost of keeping the children CRS-eligible is far less costly than providing uncompensated care to these children because these services reduce long term complications and inappropriate use of emergency facilities.
- The funding for this State Only Program has remained flat since FY 2002 and FY 2006 will be the fourth year for no medical cost inflation adjustment.

- **\$203,000 for the Well Woman HealthCheck Program**

Impact: Due to the increase in under insured and uninsured in Arizona, \$3.0 million in FY 2006 will be requested from the federal Centers for Disease Control and Prevention (CDC). The \$203,000 increase in state funds under the Governor's recommendation will be required to support a 3:1 federal to state match requirement for this program. With these new and the existing federal and

state dollars, the program estimates it can serve 10,000 women in FY 2006. There are more than 150,000 women eligible for services statewide.

- As the number of under insured or uninsured has increased in Arizona, the number of women requesting breast and cervical cancer screening services has also increased. The volume has increased over 20 percent per year since 2003.
- In 2004, the Well Woman HealthCheck Program served 7,300 women. Nearly 37 percent of breast cancers diagnosed in Hispanic, African American and American Indian women are diagnosed in the later stages. If discovered while the cancer is in its early, local stage, the survival rate is 97 percent. When discovered at the later stage, it falls to 25 percent. Annual screenings are key to survival.

- **\$800,000 for the Folic Acid Education and Vitamin Distribution Program**

Impact: The \$800,000 in the Governor's recommendation for funding the Folic Acid Education and Vitamin Distribution Program is crucial:

- Two-thirds of women in the United States consume insufficient amounts of folic acid in their diet.
- Every year, at least 70 children are born with neural tube defects in Arizona, including spina bifida. Fifty percent to 70 percent of these births are preventable with proper intake of folic acid (400 mcg) in women of childbearing years before and during early pregnancy. The preventable burdens for the family would decrease, as well as the lifetime medical and surgical costs of caring for these children.
- Approximately 500 children have spina bifida in Arizona. Medical and surgical costs (repair of opening over the spinal cord) for newborn children with spina bifida are approximately \$1.5 million per child.
- In FY 2003, the program educated and supplied vitamin supplements to 24,477 low-income women of childbearing age. More than 30 percent of the women served in this program reported the cost of vitamins as a barrier to taking folic acid regularly. Half of the women served in the program were unaware that taking folic acid could prevent neural tube defects.

- **\$229,200 for the State Public Health Laboratory Utility Costs Shortfall**

Impact: The new State Public Health Laboratory, which opened in June 2004, was designed to be energy efficient while meeting safety requirements necessary to perform testing crucial to protecting the health of all Arizonans. The additional \$229,200 in the Governor's recommendation for utilities is required to allow the State Laboratory to conduct daily operations. Alternative methods of funding this shortfall in utility costs would require the State Laboratory to use General Fund monies necessary for testing. The inability to provide such testing services would significantly impact the health of all Arizonans because the State

Laboratory is responsible for conducting critical tests, including newborn screening, rabies, and West Nile Virus tests. The State Laboratory also provides specialized testing capabilities for bioterrorism agents such as Anthrax and Smallpox. Many existing programs at the State Laboratory are funded by Federal grants that are only available to fulfill obligations already agreed to in these grants. Existing Laboratory General Fund monies cannot be used for this utility cost shortfall since they already must cover the increased cost of supplies/equipment service contracts and other costs necessary for the increasing number of tests performed on an annual basis.

Behavioral Health Services Impact FY 2006 Budget

- **\$15.2 Million Title XIX State Match**

Impact: The Legislative recommendation for FY 2006 State Match for Federal Title XIX dollars is short by approximately \$15.2 million based on the Governor's current recommendation, which uses the most recent data available. The FY 2006 Legislative recommendation for Title XIX State Match means services to approximately 23,000 Seriously Mentally Ill clients will be jeopardized beginning in May 2006.

Arizona State Hospital Impact FY 2006 Budget

- **\$2.8 Million Corrective Action Plan**

Impact: The Arizona State Hospital will have difficulty maintaining Centers for Medicare and Medicaid Services (CMS) certification if this corrective action plan is not funded. The plan comes in response to recent CMS survey findings and subsequent corrective action plans. The corrective action plan addresses continued shortages of registered nurses and other key clinical and direct care staff, as well as nutritional needs of patients. Without this additional funding, direct collections of a combined \$1.4 million in Title XVIII (Medicare) and Title XIX (Medicaid) will be jeopardized, along with \$28.5 million in disproportionate share revenues that go to the General Fund.

- **\$790,500 Pharmacy/Drug Costs**

Impact: The Arizona State Hospital will not be able to provide the demonstrated benefits of "new generation atypical" anti-psychotic medication to patients due to the continued increase in the costs of these drugs, ranging from 12 percent to 20 percent per year in recent years. This funding would provide approximately 94 patients with medications for a full year, assuming an average cost of \$8,409 per patient. Older generation anti-psychotic drugs are not as effective, delaying

recovery of the patient. The use of less expensive typical anti-psychotic medication can cause serious side effects, including involuntary movement disorder. They also expose the State of Arizona to increased legal liability.

Division of Licensing Services Impact FY 2006 Budget

- **\$521,500 for 6.5 additional surveyors and 2 licensing staff for Childcare Licensing**

Impact: The additional \$521,500 in the Governor's recommendation is essential:

- There will be a continuing and increasing backlog of inspections of childcare facilities because of the number of new facilities requesting licensure and existing facilities requiring annual inspections. There is a current backlog of 280 annual and renewal inspections.
- Approximately 40 monthly initial surveys will not be timely, which will delay the opening of facilities, creating a burden for small business owners.
- Caseloads in childcare licensing will remain unmanageable. Today, the average caseload is 78 facilities to one surveyor, compared to the national average of 50 facilities to one surveyor. The Department regulates more than 2,500 facilities, which includes the investigation of more than 1,000 increasingly complex complaints per year. What's more, the Department plans to move toward a quality rating system and the provision of technical assistance to providers in the future.

- **\$394,300 in state funds to draw down additional federal dollars that will fund 12 additional surveyors for health care licensing, including four surveyors for assisted living, three surveyors for medical facilities, two surveyors for behavioral health, two surveyors for long term care, and one architect**

Impact:

- **Assisted Living Licensing:** (1) Without two of the four new surveyors to oversee training programs and to initiate newly mandated enforcement actions against inadequate training programs, caregivers will continue to work in regulated settings without proper training. This lack of caregiver training continues to result in significant harm to residents. (2) Without the remaining two requested surveyors, the current ratio of one surveyor to 87 facilities will remain unmanageable. The backlog will remain at approximately 200 - 250 facilities. Complaint investigations that involve health and safety issues will continue to be initiated late 10 percent of the time. An average of 30 initial licenses are received per month. Initial licensing will continue to be delayed, resulting in a loss of revenue for small businesses owners.

- **Medical Facilities Licensing:** Without the three additional surveyors funded in Medical Facilities Licensing, there will be continued delays in licensing new facilities, creating a burden for business owners. There will be an increased backlog due to the number of new facilities requesting licensure and existing facilities requiring annual inspections. There is a current backlog of 145 facilities, and a delay in investigating complaints. In addition, the failure to meet Medicare guidelines could result in a potential loss of Medicare dollars and the possibility of monetary sanctions against the state.
- **Behavioral Health Licensing:** Without the two additional surveyors funded in Behavioral Health Licensing, there will be continued delays in licensing new facilities, creating a burden for business owners. There will be an increased backlog due to the number of new facilities requesting licensure and existing facilities requiring annual inspections. There is a current backlog of 85 facilities, and a delay in investigating complaints.
- **Long Term Care licensing:** Without the two additional surveyors funded in Long Term Care Licensing, there will continue to be a backlog of more than 10 percent of all long term care facilities, and continued delays in investigating complaints. Forty percent of complaints involving health and safety of residents will not be responded to within Medicare guidelines. Failure to meet Medicare guidelines could result in a potential loss of Medicare dollars and the possibility of monetary sanctions against the state.
- **Architect:** Without funding for one additional architect, there will continue to be a delay in completing the architectural review process. This delays the opening of health care facilities, adversely impacting business owners' revenue and the public's access to health care services. In addition, there will be a reduced ability to provide technical architectural assistance to business owners, resulting in significant construction deficiencies, slowing the opening or resumed operation of healthcare facilities, and increasing construction costs.

FY 2005 Budget (Supplemental Issue) Impact

- **\$2.2 Million Title XIX State Match – Behavioral Health Services**

Impact: The Legislative supplemental estimate for FY 2005 State Match for Federal Title XIX dollars is short by approximately \$2.2 million based on the most recent data available. The FY 2005 Legislative supplemental for Title XIX

State Match means services to approximately 4,000 Seriously Mentally Ill clients will be jeopardized in June 2005.

- **\$1.3 Million Corrective Action Plan – Arizona State Hospital**

Impact: The Arizona State Hospital will have difficulty maintaining Centers for Medicare and Medicaid Services (CMS) certification if this corrective action plan is not funded. The plan comes in response to recent CMS survey findings and subsequent corrective action plans. The corrective action plan addresses continued shortages of registered nurses and other key clinical and direct care staff, as well as nutritional needs of patients. Without this additional funding, direct collections of a combined \$1.4 million in Title XVIII (Medicare) and Title XIX (Medicaid) will be jeopardized, along with \$28.5 million in disproportionate share revenues that go to the General Fund.